

Township of Arcadia

Lapeer County, Michigan

Audited Financial Report
June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Arcadia Township	County Lapeer County
Fiscal Year End June 30, 2006	Opinion Date September 19, 2006	Date Audit Report Submitted to State November 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

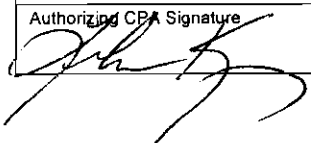
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113	
Street Address 3531 Main Street		City Marlette	State MI
		Zip 48453	
Authorizing CPA Signature 		Printed Name Lehn King	License Number A248781

Township of Arcadia
Annual Financial Report
For The Fiscal Year Ended June 30, 2006

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Members of the Township Board
Arcadia Township
Lapeer County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Arcadia, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Arcadia, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Arcadia, Michigan as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Arcadia, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Lehn King

Lehn L. King
Certified Public Accountant

September 19, 2006

Township of Arcadia

Lum, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Arcadia's financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a good financial position with a General Fund Balance of \$502,937.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

The Township as a Whole

The Township of Arcadia's fund balances are as follows:

	June 30, 2006	June 30, 2005
General Fund	\$ 502,937	\$ 554,049
Fire Improvement Fund	-	88,520
Total for Township	<u>\$ 502,937</u>	<u>\$ 642,569</u>

Township of Arcadia

Lum, Michigan

Governmental Activities

The Township of Arcadia's Revenues and Expenditures can be summarized as follows:

	General Fund	Fire Improvement Fund	Totals
Fund Balances - Beginning of Year	\$ 554,051	\$ 88,521	\$ 642,572
Revenue Collected			
Property Taxes	163,925	-	163,925
Intergovernmental Revenue	218,668	-	218,668
Special Assessment - Public Safety	61,005	-	61,005
Charges for Services	28,817	-	28,817
Interest Earnings	18,218	552	18,770
Grant Proceeds	107,868	-	107,868
Other	29,575	-	29,575
Transfers	89,073	-	89,073
Total Revenue Collected	<u>717,149</u>	<u>552</u>	<u>717,701</u>
Expenditures			
General Government	202,189	-	202,189
Public Safety	118,856	-	118,856
Public Works	34,117	-	34,117
Capital Outlay	341,090	-	341,090
Debt Service	72,012	-	72,012
Transfers	-	89,073	89,073
Total Expenditures	<u>768,264</u>	<u>89,073</u>	<u>857,337</u>
Fund Balances - End of Year	<u><u>\$ 502,936</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 502,936</u></u>

Township of Arcadia

Lum, Michigan

Economic Factors and Next Year's Budget and Rates

The Township of Arcadia's 2006/2007 adopted budget is as follows:

	General Fund	Fire Improvement Fund
Budgeted Beginning Fund Balance	\$ 466,682	\$ -
Revenue		
Property Taxes / Special Assessments	\$ 169,500	\$ -
Intergovernmental Revenue	215,000	-
Charges for Services	16,500	-
Interest Earnings	10,310	-
Other	500	-
Transfers	61,000	10,000
Total Revenue Collected	472,810	10,000
Expenditures		
General Government	197,230	-
Public Safety	151,075	-
Public Works	70,698	-
Capital Outlay	150,000	-
Debt Service	73,000	-
Recreation & Culture	1,000	-
Insurance & Other Functions	42,000	-
Transfers	-	10,000
Total Expenditures	685,003	10,000
Net Over/Under Budget	(212,193)	-
Budgeted Ending Fund Balance	\$ 254,489	\$ -

The Township of Arcadia's General Fund budget for next year is approximately the same budget as a year ago.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 4900 Spencer, Lum, Michigan or by telephone at (810) 724-6565.

Kevin Daley
Township of Arcadia Supervisor

Township of Arcadia
Statement of Net Assets (Deficit)
June 30, 2006

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 506,796.80
Due From Other Funds	1,465.71
Capital Assets (Net of Accumulated Depreciation)	<u>564,793.75</u>
<u>Total Assets</u>	<u>\$ 1,073,056.26</u>
<u>Liabilities</u>	
Accounts Payable	\$ 5,325.51
Current Portion of Long-Term Debt	56,523.00
Noncurrent Liabilities:	
Long-Term Debt	<u>226,088.00</u>
<u>Total Liabilities</u>	<u>287,936.51</u>
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	282,182.75
Reserved	
Reassessment	26,305.03
Unrestricted	<u>476,631.97</u>
<u>Total Net Assets (Deficit)</u>	<u>\$ 785,119.75</u>

The notes are an integral part of the statements.

Township of Arcadia
Statement of Activities
For the Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Governmental Activities	
Functions/Programs						
Primary Government:						
Governmental Activities:						
General Government	\$ 208,771.81	\$ 28,816.35	\$ -	\$ -	\$ (179,955.46)	
Public Safety	144,266.55	61,005.00	-	107,868.00	24,606.45	
Public Works	34,116.85	-	-	-	(34,116.85)	
Interest on Long-Term Debt	15,489.08	-	-	-	(15,489.08)	
Total Governmental Activities	\$ 402,644.29	\$ 89,821.35	\$ -	\$ 107,868.00	(204,954.94)	
General Revenues:						
Property Taxes					\$ 163,925.24	
State Shared Revenues					218,668.00	
Interest					18,770.65	
Other Revenues					29,575.48	
Transfers					-	
Total General Revenues, Special Items & Transfers					430,939.37	
Change in Net Assets					225,984.43	
Net Assets (Deficit) - Beginning of Year					559,135.32	
Net Assets (Deficit) - End of Year					\$ 785,119.75	

The notes are an integral part of the statements.

Township of Arcadia

Governmental Funds

Balance Sheet

June 30, 2006

	<u>General Fund</u>	<u>Fire Improvement Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash & Certificates of Deposit	\$ 506,796.79	\$ 0.01	\$ 506,796.80
Accounts Receivable	-	-	-
Due From Other Funds	1,465.71	-	1,465.71
 <u>Total Assets</u>	 <u>\$ 508,262.50</u>	 <u>\$ 0.01</u>	 <u>\$ 508,262.51</u>
 <u>Liabilities & Fund Equity</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 5,325.51	\$ -	\$ 5,325.51
Due To Other Funds	-	-	-
 <u>Total Liabilities</u>	 <u>5,325.51</u>	 <u>-</u>	 <u>5,325.51</u>
 <u>Fund Equity</u>			
Fund Balances			
- Designated for Reassessment	26,305.03	-	26,305.03
- Unreserved & Undesignated	476,631.96	0.01	476,631.97
<u>Total Fund Balances</u>	<u>502,936.99</u>	<u>0.01</u>	<u>502,937.00</u>
 <u>Total Liabilities & Fund Equity</u>	 <u>\$ 508,262.50</u>	 <u>\$ 0.01</u>	 <u>\$ 508,262.51</u>

The notes are an integral part of the statements.

Township of Arcadia
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended June 30, 2006

Total Fund Balances for Governmental Funds	\$ 502,937.00
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	564,793.75
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	<u>(282,611.00)</u>
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Net Assets of Governmental Activities	<u><u>\$ 785,119.75</u></u>
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Township of Arcadia
Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended June 30, 2006

	General Fund	Fire Improvement Fund	Total Governmental Funds
<u>Revenues</u>			
Property Taxes	\$ 163,925.24	\$ -	\$ 163,925.24
State Shared Revenue	218,668.00	-	218,668.00
Special Assessment - Public Safety	61,005.00	-	61,005.00
Charges for Services	28,816.35	-	28,816.35
Interest Earnings	18,218.40	552.25	18,770.65
Grant Proceeds	107,868.00	-	107,868.00
Other Revenues	29,575.48	-	29,575.48
<u>Total Revenues</u>	<u>628,076.47</u>	<u>552.25</u>	<u>628,628.72</u>
<u>Expenditures</u>			
General Government	202,188.81	-	202,188.81
Public Safety	118,855.55	-	118,855.55
Publics Works	34,116.85	-	34,116.85
Capital Outlay	341,089.75	-	341,089.75
Debt Service - Principal	56,523.00	-	56,523.00
Debt Service - Interest	15,489.08	-	15,489.08
<u>Total Expenditures</u>	<u>768,263.04</u>	<u>-</u>	<u>768,263.04</u>
Excess of Revenues Over (Under) Expenditures	(140,186.57)	552.25	(139,634.32)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	89,072.68	(89,072.68)	-
Net Change in Fund Balances	(51,113.89)	(88,520.43)	(139,634.32)
<u>Fund Balances - Beginning of Year</u>	<u>554,050.88</u>	<u>88,520.44</u>	<u>642,571.32</u>
<u>Fund Balances - End of Year</u>	<u>\$ 502,936.99</u>	<u>\$ 0.01</u>	<u>\$ 502,937.00</u>

The notes are an integral part of the statements.

Township of Arcadia
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (139,634.32)
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Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation	341,089.75
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Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt)	56,523.00
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Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds	<u>(31,994.00)</u>
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Net Assets of Governmental Activities	<u><u>\$ 225,984.43</u></u>
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Township of Arcadia
Statement of Net Assets (Deficit)
Fiduciary Funds
June 30, 2006

<u>Assets</u>	<u>Other Trust Funds</u>	<u>Agency Fund</u>
Cash & Certificate of Deposit	\$ 33,554.45	\$ 1,465.71
Due From Other Funds	-	-
<u>Total Assets</u>	33,554.45	<u>1,465.71</u>
<u>Liabilities</u>		
Due To Other Funds	-	1,465.71
<u>Total Liabilities</u>	-	<u>\$ 1,465.71</u>
<u>Net Assets</u>		
Held in Trust for Cemetery Perpetual Care	21,900.34	
Unreserved - Undesignated	11,654.11	
<u>Total Net Assets</u>	<u>\$ 33,554.45</u>	

The notes are an integral part of the statements.

Township of Arcadia
Statement of Changes in Net Assets
Fiduciary Funds
June 30, 2006

	Other Trust Funds
<u>Additions</u>	
Interest Income - Perpetual Care	\$ 1,298.20
Sale of Lots - Perpetual Care	1,100.00
<u>Total Additions</u>	<u>2,398.20</u>
<u>Deductions</u>	
Miscellaneous	-
<u>Total Deductions</u>	<u>-</u>
<u>Net Increase</u>	2,398.20
<u>Net Assets - Beginning of Year</u>	<u>31,156.25</u>
<u>Net Assets - End of Year</u>	<u>\$ 33,554.45</u>

The notes are an integral part of the statements.

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2006

The accounting methods and procedures adopted by the Township of Arcadia, Lapeer County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township of Arcadia was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township of Arcadia (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and Fiduciary Funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Improvement Fund - The fund accumulated resources to purchase future fire equipment. Funding is provided primarily from transfers from General Fund.

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2006

Additionally, the Township reports the following fund types:

Cemetery Perpetual Care Fund - The purpose of this fund is to account for money which is set aside for the future maintenance expenses of the Township cemetery.

Current Tax Collection Fund - The Current Tax Collection Fund accounts for the collection and disbursement of local property taxes.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2006

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 25 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2006

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended June 30, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Capital Outlay	\$ 315,000	\$ 341,090	\$ 26,090

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2006

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board was in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	<u>\$ 506,797</u>	<u>\$ 35,020</u>	<u>\$ 541,817</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs, CLASS)	<u>\$ 541,817</u>

The bank balance of the primary government's deposits is \$541,817, of which \$206,410 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

	Category			Carrying
	(1)	(2)	(3)	Value
Investments	\$ NONE	\$ NONE	\$ NONE	\$ NONE

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Township or its agent in the Township's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2006

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The Township levied the following taxes:

General Government Services	<u>1.4305</u> mills
Township Fire Protection: Special Assessment per parcel	
	\$45 Per Dwelling or Commercial/Industrial Building
	\$15 Vacant Parcels

5. Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	<u>\$ 1,466</u>	Tax Fund	<u>\$ 1,466</u>
Total	<u><u>\$ 1,466</u></u>		<u><u>\$ 1,466</u></u>

Interfund receivable and payable are not eliminated for financial presentation.

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
General Fund	\$ 89,073	Fire Improvement Fund	\$ 89,073

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2006

6. Capital Assets

Capital assets activity of the Township's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Disposals &</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental Activities:				
Capital Assets not being Depreciated:	\$ 14,195	\$ -	\$ -	\$ 14,195
Capital Assets being Depreciated:				
Buildings & Improvements	\$ 179,723	\$ 22,002	\$ -	\$ 201,725
Machinery & Equipment	248,823	319,088	-	567,911
Total Capital Assets being Depreciated	<u>428,546</u>	<u>341,090</u>	<u>-</u>	<u>769,636</u>
Accumulated Depreciation:				
Buildings & Improvements	90,276	6,426	-	96,702
Machinery & Equipment	96,767	25,568	-	122,335
Total Accumulated Depreciation	<u>187,043</u>	<u>31,994</u>	<u>-</u>	<u>219,037</u>
Net Capital Assets being Depreciated	<u>241,503</u>	<u>309,096</u>	<u>-</u>	<u>550,599</u>
Net Total Capital Assets	<u><u>\$ 255,698</u></u>	<u><u>\$ 309,096</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 564,794</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 6,583
Public Safety	25,411
Total Governmental Activities	<u><u>\$ 31,994</u></u>

7. Long-Term Debt

The following is a summary of the debt outstanding of the Township as of June 30, 2006:

	<u>Interest</u> <u>Rate Ranges</u>	<u>Principal</u> <u>Maturity</u> <u>Ranges</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities						
General Obligation Bonds & Contracts						
Lapeer County Road Commission Road Bonds						
Amount of Issue - \$565,223	4.40% -					
Maturing through 2010	5.00%	\$56,523	\$ 339,132	\$ (56,523)	\$ 282,609	\$ 56,523
Total Governmental Activities			<u><u>\$ 339,132</u></u>	<u><u>\$ (56,523)</u></u>	<u><u>\$ 282,609</u></u>	<u><u>\$ 56,523</u></u>

Township of Arcadia
Notes to the Financial Statements
For The Year Ended June 30, 2006

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 56,523	\$ 12,699	\$ 69,222
2008	56,523	9,924	66,447
2009	56,523	7,121	63,644
2010	56,523	4,290	60,813
2011	56,517	1,430	57,947
Total	\$ 282,609	\$ 35,464	\$ 318,073

8. Pension Plan

The Township makes annual contributions to Manulife Financial for all eligible employees and elected officials. The plan is a defined contribution plan with an annual contribution rate of 15%. During the fiscal year ended June 30, 2006, the Township contributed \$8,385 to the plan.

9. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

10. Comparative Data

Comparative total data for the prior year has not been presented.

11. Post Employment Benefits

The Township does not provide any post employment benefits other than pension benefits through Manulife Financial.

12. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Township of Arcadia
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended June 30, 2006

	General Fund			Variance with
	Original	Amended		Amended
Revenues	Budget	Budget	Actual	Budget
Property Taxes	\$ 159,767.50	\$ 159,767.50	\$ 163,925.24	\$ 4,157.74
State Shared Revenues	210,000.00	210,000.00	218,668.00	8,668.00
Special Assessment - Public Safety	51,000.00	51,000.00	61,005.00	10,005.00
Charges for Services	18,525.00	18,525.00	28,816.35	10,291.35
Interest Earnings	9,725.00	9,725.00	18,218.40	8,493.40
Grant Proceeds	-	-	107,868.00	107,868.00
Other Revenues	5,500.00	5,500.00	29,575.48	24,075.48
Total Revenues	454,517.50	454,517.50	628,076.47	173,558.97
Expenditures				
General Government				
Township Board	26,400.00	26,400.00	24,211.47	2,188.53
Clerk	23,350.00	23,350.00	20,203.05	3,146.95
Treasurer	24,025.00	24,025.00	19,605.23	4,419.77
Supervisor	14,050.00	14,050.00	12,831.99	1,218.01
Assessor	15,915.00	15,915.00	15,730.76	184.24
Elections	7,000.00	7,000.00	4,222.48	2,777.52
Professional Services	29,750.00	27,830.00	20,006.13	7,823.87
Board of Review	1,500.00	1,500.00	641.00	859.00
Township Hall Expense	31,875.00	31,875.00	20,812.41	11,062.59
Township FICA & Pension	29,840.00	29,840.00	13,343.45	16,496.55
Cemetery	27,030.00	28,230.00	28,230.82	(0.82)
Insurance & Bonds	25,500.00	25,500.00	22,350.02	3,149.98
Total General Government	256,235.00	255,515.00	202,188.81	53,326.19
Public Safety				
Emergency Services	9,600.00	9,600.00	9,591.00	9.00
Planning & Zoning	6,050.00	6,050.00	4,305.40	1,744.60
Law Enforcement	61,000.00	61,000.00	57,955.30	3,044.70
Fire Protection	47,950.00	47,950.00	43,876.21	4,073.79
Street Lights	3,000.00	3,000.00	2,837.64	162.36
Board of Appeals	1,365.00	1,365.00	290.00	1,075.00
Total Public Safety	128,965.00	128,965.00	118,855.55	10,109.45
Public Works - Roads & Drains	50,000.00	50,720.00	34,116.85	16,603.15
Recreation & Culture	1,000.00	1,000.00	-	1,000.00
Capital Outlay	315,000.00	315,000.00	341,089.75	(26,089.75)
Debt Service - Principal	57,000.00	57,000.00	56,523.00	477.00
Debt Service - Interest	16,000.00	16,000.00	15,489.08	510.92
Total Expenditures	824,200.00	824,200.00	768,263.04	55,936.96
Excess of Revenues Over				
(Under) Expenditures	(369,682.50)	(369,682.50)	(140,186.57)	229,495.93
Other Financing Sources (Uses)				
Operating Transfers In (Out)	91,224.00	91,224.00	89,072.68	(2,151.32)
Excess of Revenues & Operating Transfers In Over				
(Under) Expenditures & Operating Transfers Out	(278,458.50)	(278,458.50)	(51,113.89)	227,344.61
Fund Balance - Beginning of Year	565,809.00	565,809.00	554,050.88	(11,758.12)
Fund Balance - End of Year	\$ 287,350.50	\$ 287,350.50	\$ 502,936.99	\$ 215,586.49

Township of Arcadia
 Budgetary Comparison Schedule
 Fire Improvement Fund
 For The Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Charges for Service	\$ -	\$ -	\$ -	\$ -
Interest Earnings	-	-	552.25	552.25
<u>Total Revenues</u>	<u>-</u>	<u>-</u>	<u>552.25</u>	<u>552.25</u>
<u>Expenditures</u>				
Miscellaneous	-	-	-	-
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>-</u>	<u>-</u>	<u>552.25</u>	<u>552.25</u>
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	(81,224.00)	(81,224.00)	(89,072.68)	(7,848.68)
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(81,224.00)</u>	<u>(81,224.00)</u>	<u>(88,520.43)</u>	<u>(7,296.43)</u>
<u>Fund Balance - Beginning of Year</u>	<u>81,224.00</u>	<u>-</u>	<u>88,520.44</u>	<u>88,520.44</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ (81,224.00)</u>	<u>\$ 0.01</u>	<u>\$ 81,224.01</u>

Other Supplemental Information

Township of Arcadia
Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2006

	Other Trust Funds			Agency Fund
	Cemetery Perpetual Care Expendable Trust	Nonexpendable Trust	Totals	Tax Collection Fund
<u>Assets</u>				
Cash & Certificate of Deposit				
Due From Other Funds	\$ 11,654.11	\$ 21,900.34	\$ 33,554.45	\$ 1,465.71
	-	-	-	-
<u>Total Assets</u>	<u>11,654.11</u>	<u>21,900.34</u>	<u>33,554.45</u>	<u>1,465.71</u>
<u>Liabilities & Fund Balance</u>				
<u>Liabilities</u>				
Due To Other Funds	-	-	-	1,465.71
	-	-	-	\$ 1,465.71
<u>Net Assets</u>				
Held in Trust for Cemetery Perpetual Care				
Unreserved - Undesignated	-	21,900.34	21,900.34	
	11,654.11	-	11,654.11	
<u>Total Liabilities & Net Assets</u>	<u>\$ 11,654.11</u>	<u>\$ 21,900.34</u>	<u>\$ 33,554.45</u>	

Township of Arcadia
Other Supplemental Information
Combining Statement of Changes in Net Assets
Fiduciary Funds
June 30, 2006

	Other Trust Funds		
	Cemetery Perpetual Care	Nonexpendable Trust	Totals
	Expendable Trust		
<u>Additions</u>			
Interest Income - Perpetual Care	\$ 1,298.20	\$ -	\$ 1,298.20
Sale of Lots - Perpetual Care	-	1,100.00	1,100.00
Total Additions	1,298.20	1,100.00	2,398.20
<u>Deductions</u>			
Miscellaneous	-	-	-
Total Deductions	-	-	-
<u>Net Increase</u>	1,298.20	1,100.00	2,398.20
<u>Net Assets - Beginning of Year</u>	10,355.91	20,800.34	31,156.25
<u>Net Assets - End of Year</u>	\$ 11,654.11	\$ 21,900.34	\$ 33,554.45

Township of Arcadia
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Lapeer County Road Commission
Bonds Payable for Road Maintenance
Annual Payment Due June 30

Dated: May 17, 2000
Original Issue: \$565,223

<u>Interest Range</u>	<u>Date of Maturity</u>	<u>Principal Outstanding June 30,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2006</u>	<u>2005</u>	
4.40% - 5.00%	6/30/2006	\$ -	\$ 56,523	\$ -
4.40% - 5.00%	6/30/2007	56,523	56,523	12,699
4.40% - 5.00%	6/30/2008	56,523	56,523	9,924
4.40% - 5.00%	6/30/2009	56,523	56,523	7,121
4.40% - 5.00%	6/30/2010	56,523	56,523	4,290
4.40% - 5.00%	6/30/2011	56,517	56,517	1,430
<u>Total Bonds Payable</u>		<u>\$ 282,609</u>	<u>\$ 339,132</u>	<u>\$ 35,464</u>

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

September 19, 2006

Members of the Township Board
Arcadia Township
Lapeer County, Michigan

Board Members:

In accordance with your request, I have made an examination of the financial statements of Arcadia Township for the fiscal year ended June 30, 2006. During the course of my examination, no material items came to my attention.

From an overall viewpoint, Arcadia Township is in good financial condition. The financial records maintained by the Township are in good order.

I would like to thank the Township officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant